

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2007-338-E – ORDER NO. 2007-751
NOVEMBER 1, 2007

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| IN RE: Application Of Duke Energy |) | |
| Carolinas, LLC For Authorization Under |) | ORDER AUTHORIZING THE |
| Article 13, Chapter 27 Of Title 58 Of The |) | ISSUANCE AND SALE OF |
| Code Of Laws Of South Carolina, (1976, As |) | SECURITIES |
| Amended), To Issue and Sell Securities |) | |
| |) | |

This matter comes before the Public Service Commission of South Carolina, (“Commission”) upon an Application from Duke Energy Carolinas, LLC, (“Duke Energy Carolinas” or “Company”) for the approval of an Order Authorizing the Issuance and Sale of Securities, (“Application”). Duke Energy Carolinas’ Application was filed with this Commission on September 17, 2007.

Duke Energy Carolinas’ Application states that the Company served its Application on counsel for the South Carolina Office of Regulatory Staff, (“ORS”). Also, ORS informed this Commission by correspondence dated, September 21, 2007, that, “Based on its review, ORS has no objection to Duke Energy’s request.”

A review of Duke Energy Carolinas’ Application discloses that, as of June 30, 2007, the Company’s existing outstanding debt consisted of First and Refunding Mortgage Bonds, Senior Notes and Other Long-Term Debt. A schedule of all such Bonds, Notes, and Other Long-Term Debt, outstanding as of December 31, 2006, was attached to the Company’s Application as Exhibit “A”.

In this Application the Company states that all of the outstanding First and Refunding Mortgage Bonds were issued under the terms of a First and Refunding Mortgage dated as of December 1, 1927, from the Company to The Bank of New York Trust Company, N.A., as trustee, as supplemented and amended by various Supplemental Indentures. The Company's Application also reveals that the Pollution Control Obligations resulted when the Company borrowed the proceeds of the sale of pollution control revenue bonds issued by various governmental authorities pursuant to authorization granted by this Commission.

The Application further states that all of the Senior Notes were issued under a Senior Indenture to The Bank of New York, as successor trustee to JP Morgan Chase Bank, dated as of September 1, 1998.

The Company's Application includes information that the other Long-Term Debt of the Company includes a financing arrangement utilizing commercial paper backed by a long-term credit facility as approved by this Commission in Order No. 2007-578 issued on August 23, 2007, in Docket No. 2004-141-E.

In reviewing Duke Energy Carolinas' Application, we find that, subject to the approval of this Commission, the Company proposes to issue and sell, from time to time, a maximum of \$2,000,000,000 aggregate principal amount of all or any combination of the following:

(i) Long-Term Debt Securities ("Proposed Debt Securities")

The Proposed Debt Securities may be unsecured debt instruments or First and Refunding Mortgage Bonds.

To the extent the Proposed Debt Securities are Senior Notes, they will be created and issued under the Senior Indenture as heretofore supplemented or as further supplemented by a Supplemental Indenture to be executed in connection with their issuance. To the extent the Proposed Debt Securities are Subordinated Notes, they will be created and issued under the Company's Subordinated Indenture to the Bank of New York, as Trustee, dated as of December 1, 1997, as heretofore supplemented or as further supplemented by a Supplemental Indenture to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are the Company's First and Refunding Mortgage Bonds, they will be created and issued under the Mortgage, as heretofore supplemented and as to be further supplemented and amended by a Supplemental Indenture to be executed in connection with their issuance. They will be subject to all of the provisions of the Mortgage, as supplemented, and by virtue of said Mortgage will constitute (together with the Company's outstanding First and Refunding Mortgage Bonds) a first lien on substantially all of the Company's fixed property and franchises.

When any of the Proposed Debt Securities are issued for refunding or refinancing the Company proposes to execute the proposed transactions so that, over time, there will be no material effect on the Company's capitalization with respect to the source of funds.

The Proposed Debt Securities may also consist of debt securities subject to remarketing prior to maturity. Consistent with prior orders of this Commission, any remarketing of such securities or resetting of their interest rates prior to the scheduled maturity date would not be deemed to be a re-issuance of such securities by the Company, so as to

reduce the amount of securities otherwise permitted to be issued by the Company pursuant to the terms of this Order.

(ii) Tax Exempt Bond Obligations

The Company proposes to enter into agreements to borrow proceeds from the sale of tax exempt debt securities issued by one or more governmental authorities (“Tax Exempt Bonds”), to fund construction of qualifying facilities associated with the Company’s electric generation plants (and qualifying related expenditures), to reimburse costs previously expended for such purposes, or to refinance previously outstanding Tax Exempt Bonds. The Company’s obligation to repay the issuing authority may be direct, through a secured or unsecured loan agreement between it and the authority, or indirect through financing arrangements such as a letter of credit posted by a bank to secure the Company’s obligations on the Tax Exempt Bonds. The Company’s direct obligation under a loan agreement with the authority may be secured by issuance of a First and Refunding Mortgage Bond or other secured instrument.

Included in the Application is information that if the Proposed Securities are issued and sold in one or more public offerings subject to registration under the federal securities laws, the Company will sell the Proposed Securities during the effective period of a “shelf” registration statement which Applicant has filed or intends to file with the Securities and Exchange Commission in connection with the registration of such securities.

Furthermore, the Company has, or proposes, to enter into negotiations with, or request competitive proposals from, investment bankers or other financial institutions to act as agents,

dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance of Proposed Securities in accordance with the terms thereof. Also, the Company will determine which sales method and financial institution(s) will provide the most favorable terms to the Company for any issuance and sale of the Proposed Securities.

The Company requests in this Application that the authority requested herein be in substitution of the authority remaining under Docket No. 2003-184-E, as further described in the Company's Reports of Issue and Sale in that Docket, including the latest Report of Issue and Sale filed with this Commission on September 13, 2007. The Company requests that the remaining authority granted in that docket be terminated and remaining amounts of securities authorized therein subsumed within the authority granted under this Order.

In reviewing this Application we find that the Company will pay no fee for services (other than attorneys, accountants, trustees, and fees for similar technical services) in connection with the negotiation of consummation of the issuance and sale of any of the Proposed Securities, nor for services in securing underwriters, agents, dealers, or purchasers of such securities (other than fees negotiated with such persons).

The Company states that proceeds from sales of the Proposed Securities may be used for (a) the purchase or redemption of the Company's outstanding higher cost securities as hereinafter provided, (b) refunding maturing securities, (c) financing the Company's ongoing construction, as further described in Section 8 of the Application (including the acquisition of nuclear fuel), or (d) the Company's general purposes, as allowed.

The Company promises that when the net proceeds from the sales of any of the Proposed Securities will be applied and used by the Company to purchase or redeem certain of

the Company's outstanding unmatured debt securities, such sales will be made from time to time when market conditions permit the sales on terms which would result in a lower cost of money to the Company. Any premium paid on purchased or redeemed debt securities will be amortized over the life of the new securities, and the Company proposes to include the after-tax amount of such unamortized premium in the Company's rate base as a component of working capital.

Also, the Company requests that the net proceeds of any of the Proposed Securities may be applied and used by the Company to refund maturing securities, including the repayment of short-term debt incurred for that purpose. A schedule of the maturities of the Company's outstanding debt securities was provided as Exhibit A to the Application.

In the Company's Application we find that Duke Energy Carolinas is continuing its construction program of additions to its electric generation, transmission and distribution facilities in order to, among other things, (i) meet the expected increase in demand for electric service, (ii) construct and maintain an adequate margin of reserve generating capacity, (iii) conduct necessary replacements of major generating plant components, and (iv) meet environmental compliance requirements.

Furthermore, the Company has connected 65,000 new customers in 2006 and continued to incur significant capital expenditures related to expanding and replacing its transmission and distribution system.

The Company's Application reports that its electric energy sales for 2006 reached 83 billion kWh; and sales for 2005 were 85 billion kWh. The company argues that sufficient financing of its current construction program is essential if the Company is to continue to be

able to meet its obligations to the public to provide adequate and reliable electric service. The Company's electric plant construction expenditures (including expenditures for the acquisition of the nuclear fuel) were \$1.8 billion for 2006 and \$1.4 billion for 2005. Further information was set forth in the Company's financial statements attached as exhibits to the Application.

The Company's Application generally describes its plans to incur significant capital expenditures for compliance with environmental rules and regulations with respect to its existing generation plants, and construction of new electric generation plants to meet increasing customer demand. The Company has previously announced plans to invest approximately \$7.3 billion in its electric plant over the next three years. The Company states that adequate financing authority, as applied for herein, will allow the Company to access the capital markets to efficiently fund these necessary capital expenditures.

The Company's Application sets forth that the purposes of the issuance and sale of the Proposed Securities are lawful objects within the limits of the Company's authority and purposes under the applicable laws and regulations, and as set forth in its Limited Liability Company Operating Agreement, as amended, which was filed as an exhibit to the Application.

The Company's Application concludes that the issuance and sale of the Proposed Securities will be compatible with the public interest, will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

FINDINGS OF FACT

1. Duke Energy Carolinas served its Application on the ORS Staff. Also, ORS informed this Commission by correspondence dated, September 21, 2007, that, “Based on its review, ORS has no objection to Duke Energy’s request.”

2. We find that the Company proposes to issue and sell, from time to time, a maximum of \$2,000,000,000 aggregate principal amount of all or any combination of the following:

(i) Long-Term Debt Securities (“Proposed Debt Securities”)

The Proposed Debt Securities may be unsecured debt instruments or First and Refunding Mortgage Bonds.

To the extent the Proposed Debt Securities are Senior Notes, they will be created and issued under the Senior Indenture as heretofore supplemented or as further supplemented by a Supplemental Indenture to be executed in connection with their issuance. To the extent the Proposed Debt Securities are Subordinated Notes, they will be created and issued under the Company’s Subordinated Indenture to the Bank of New York, as Trustee, dated as of December 1, 1997, as heretofore supplemented or as further supplemented by a Supplemental Indenture to be executed in connection with their issuance.

To the extent the Proposed Debt Securities are the Company’s First and Refunding Mortgage Bonds, they will be created and issued under the Mortgage, as heretofore supplemented and as to be further supplemented and amended by a Supplemental Indenture to be executed in connection with their issuance. They will be subject to all of the provisions of the Mortgage, as supplemented, and by virtue of said

Mortgage will constitute (together with the Company's outstanding First and Refunding Mortgage Bonds) a first lien on substantially all of the Company's fixed property and franchises.

When any of the Proposed Debt Securities are issued for refunding or refinancing the Company proposes to execute the proposed transactions so that, over time, there will be no material effect on the Company's capitalization with respect to the source of funds.

The Proposed Debt Securities may also consist of debt securities subject to remarketing prior to maturity. Consistent with prior orders of this Commission, any remarketing of such securities or resetting of their interest rates prior to the scheduled maturity date would not be deemed to be a re-issuance of such securities by the Company, so as to reduce the amount of securities otherwise permitted to be issued by the Company pursuant to the terms of this Order.

(ii) Tax Exempt Bond Obligations

The Company proposes to enter into agreements to borrow proceeds from the sale of tax exempt debt securities issued by one or more governmental authorities ("Tax Exempt Bonds"), to fund construction of qualifying facilities associated with the Company's electric generation plants (and qualifying related expenditures), to reimburse costs previously expended for such purposes, or to refinance previously outstanding Tax Exempt Bonds. The Company's obligation to repay the issuing authority may be direct, through a secured or unsecured loan agreement between it and the authority, or indirect through financing arrangements such as a letter of credit posted by a bank to secure the Company's obligations on the Tax Exempt Bonds. The

Company's direct obligation under a loan agreement with the authority may be secured by issuance of a First and Refunding Mortgage Bond or other secured instrument.

3. We find that when the Proposed Securities are issued and sold in one or more public offerings subject to registration under the federal securities laws, the Company intends to sell the Proposed Securities during the effective period of a "shelf" registration statement which Applicant has filed or intends to file with the Securities and Exchange Commission in connection with the registration of such securities.

4. We find that the Company has, or proposes, to enter into negotiations with, or request competitive proposals from, investment bankers or other financial institutions to act as agents, dealers, underwriters, or direct purchasers in connection with either the public or private offering of each issuance of Proposed Securities in accordance with the terms thereof. Also that the Company will determine which sales method and financial institution(s) will generally provide the most favorable overall terms to the Company for any issuance and sale of the Proposed Securities.

5. We find that the Company requested in this Application to have the requested authority substitute for the authority remaining under Docket No. 2003-184-E, as further described in the Company's Reports of Issue and Sale in that Docket, including the latest Report of Issue and Sale filed with this Commission on September 13, 2007.

6. We find that the Company requests that the remaining authority granted in Docket No. 2003-184-E be terminated, and remaining amounts of securities authorized therein subsumed within the authority granted under this Order.

7. We find that the Company will pay no fee for services (other than attorneys, accountants, trustees and fees for similar technical services) in connection with the negotiation of consummation of the issuance and sale of any of the Proposed Securities, nor for services in securing underwriters, agents, dealers or purchasers of such securities (other than fees negotiated with such persons).

8. We find that the proceeds from sales of the Proposed Securities will be used for (a) the purchase or redemption of the Company's outstanding higher cost securities as hereinafter provided, (b) refunding maturing securities, (c) financing the Company's ongoing construction, as further described in Section 8 of the Application (including the acquisition of nuclear fuel) or (d) the Company's general purposes, as allowed.

9. We find that when the Company's net proceeds from the sales of any of the Proposed Securities will be applied and used by the Company to purchase or redeem certain of the Company's outstanding unmatured debt securities, such sales will be made from time to time when market conditions permit the sales on terms which would result in a lower cost of money to the Company. Any premium paid on purchased or redeemed debt securities will be amortized over the life of the new securities, and the Company proposes to include the after-tax amount of such unamortized premium in the Company's rate base as a component of working capital.

10. We find that the net proceeds of any of the Proposed Securities may be applied and used by the Company to refund maturing securities, including the repayment of short-term debt incurred for that purpose.

11. We find that Duke Energy Carolinas is continuing its construction program of additions to its electric generation, transmission, and distribution facilities in order to, among other things, (i) meet the expected increase in demand for electric service, (ii) construct and maintain an adequate margin of reserve generating capacity, (iii) conduct necessary replacements of major generating plant components and (iv) to meet environmental compliance requirements. Furthermore, the Company connected 65,000 new customers in 2006 and continued to incur significant capital expenditures related to expanding and replacing its transmission and distribution system.

12. We find that the Company's electric energy sales for 2006 reached 83 billion kWh; and sales for 2005 were 85 billion kWh. Sufficient financing of its current construction program is essential if the Company is to continue to be able to meet its obligations to the public to provide adequate and reliable electric service. The Company's electric plant construction expenditures (including expenditures for the acquisition of the nuclear fuel) were \$1.8 billion for 2006 and \$1.4 billion for 2005.

13. We find that that Company's plans include incurring significant capital expenditures for compliance with environmental rules and regulations with respect to its existing generation plants, and construction of new electric generation plants to meet increasing customer demand. The Company has previously announced plans to invest approximately \$7.3 billion in its electric plant over the next three years. Adequate financing authority will allow the Company to access the capital markets to efficiently fund these necessary capital expenditures.

14. We find the Company has set forth the purposes of the issuance and sale of the Proposed Securities are lawful objects within the limits of the Company's authority and purposes under the applicable laws and regulations, and as set forth in its Limited Liability Company Operating Agreement.

15. We find that the issuance and sale of the Proposed Securities will be compatible with the public interest, will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

CONCLUSIONS OF LAW

1. The Commission concludes that the relief sought by Duke Energy Carolinas is consistent with its previous Orders issued in this Docket.

2. The Commission concludes that the grounds stated in Duke Energy Carolinas' Application are sufficient to support the relief sought by the Company.

3. The Commission concludes that the fees described in the Application are reasonable.

4. The Commission concludes that the remaining authority granted in Docket No. 2003-184-E is terminated, and remaining amounts of securities authorized therein subsumed within the authority granted under this Order

5. The Commission concludes that the conditions of the Application are deemed reasonable.

6. The Commission concludes that the purposes of the issuance and sale of the Proposed Securities are lawful objects within the limits of the Company's authority and purposes under the applicable laws and regulations, and as set forth in its Limited Liability Company Operating Agreement.

7. The Commission concludes that the issuance and sale of the Proposed Securities will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

8. The Commission concludes that the ORS does not oppose the relief sought in Duke Energy Carolinas' Application.

IT IS THEREFORE ORDERED, ADJUDGED, AND DECREED THAT:

1. ORS was properly served with the Application in this Docket and does not oppose the relief sought therein by the Company.

2. The Company is hereby authorized to issue and sell, from time to time, a maximum of \$2,000,000,000 aggregate principal amount of all or any combination of the securities as set forth in more detail in our Finding of Fact number 2 herein.

3. The fees described in the Application by the Company are reasonable.

4. The terms and conditions purposed for the issuance and sale of securities are reasonable and permitted by law in the manner set forth in the Company's Application.

5. The purposes of the issuance and sale of the Proposed Securities are lawful objects within the limits of the Company's authority and purposes under the applicable laws and regulations.

6. The issuance and sale of the Proposed Securities will be necessary and appropriate for, and consistent with, the proper performance by the Company of its service to the public as a utility, will not impair its ability to perform that service, and will be reasonably necessary and appropriate for such purpose.

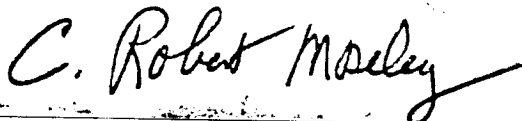
7. This Order shall become effective upon the signature of the Chairman and counter signature of the Vice-Chairman and shall remain in full force and effect until further Order of this Commission.

BY ORDER OF THE COMMISSION:



G. O'Neal Hamilton, Chairman

ATTEST:



C. Robert Moseley, Vice Chairman

(SEAL)